Summary of Financial Results

For the Nine Months of the Fiscal Year Ending December 31, 2022 (Consolidated)

These financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan. The following English translation is based on the original Japanese-language document.

October 31, 2022

POLA ORBIS HOLDINGS INC.
Listing: Tokyo Stock Exchange, Prime Market (Code No.: 4927)
URL: https://www.po-holdings.co.jp/
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Filing Date of Quarterly Securities Report: November 14, 2022
Start of Cash Dividend Payment: -
Supplemental Materials Prepared for Quarterly Financial Results: Yes
Conference Presentation for Quarterly Financial Results: Yes(for analysts)

(Amounts less than one million yen have been truncated)

1. Consolidated Performance for the Nine Months of Fiscal 2022
(January 1, 2022–September 30, 2022)
(1) Consolidated Operating Results

(Percentage figures indicate year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2022 Nine Months	119,654	(8.8)	7,668	(37.4)	12,169	(9.4)	13,035	50.5
FY2021 Nine Months	131,164	4.3	12,241	32.7	13,432	72.8	8,661	453.1

Note: Comprehensive income: ¥10,973 million (30.1%) for the nine months ended September 30, 2022;
¥8,437 million (471.5%) for the nine months ended September 30, 2021

	Net Income Per Share	Diluted Net Income Per Share
	Yen	Yen
FY2022 Nine Months	58.92	58.86
FY2021 Nine Months	39.15	39.11

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
FY2022 Third Quarter	202,624	171,705	84.5	773.72
FY2021	208,039	173,267	83.1	781.11

Reference: Equity capital: FY2022 Third Quarter: ¥171,170 million; FY2021: ¥172,803 million

2. Dividends

	Annual Cash Dividends Per Share				
	Q1-end	Q2-end	Q3-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2021	—	20.00	—	31.00	51.00
FY2022	—	21.00	—		
FY2022 (Forecast)				31.00	52.00

Note: Revisions to the cash dividends forecast announced most recently: none

3. Consolidated Performance Forecast for Fiscal Year Ending December 31, 2022
(January 1, 2022–December 31, 2022)

(Percentage figures indicate year-on-year change)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Net Income Per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	170,000	(4.8)	11,700	(30.7)	15,700	(17.2)	14,000	19.3	63.29

Note: Revisions to the consolidated performance forecast announced most recently: none

Notes to Summary Information

(1) Changes in significant subsidiaries during the current period
(Changes in specific subsidiaries resulting in changes in the scope of consolidation) : None

(2) Application of special accounting methods for the preparation of the quarterly consolidated financial statements : None

(3) Changes in accounting policies, accounting estimates, and restatement
1) Changes in accounting policies associated with revision of accounting standards : Yes
2) Changes other than (3)-1) : None
3) Changes in accounting estimates : None
4) Restatements : None

(4) Number of shares issued and outstanding (common stock)
1) Number of shares issued and outstanding at the end of each period (including treasury stock)
At September 30, 2022 229,136,156 shares
At December 31, 2021 229,136,156 shares
2) Number of shares of treasury stock at the end of each period
At September 30, 2022 7,904,513 shares
At December 31, 2021 7,906,761 shares
3) Average number of shares issued and outstanding in each period
Nine months ended September 30, 2022 221,230,184 shares
Nine months ended September 30, 2021 221,225,877 shares

Note: The number of shares of treasury stock at September 30, 2022 includes the Company’s shares held by the officer compensation Board Incentive Plan (BIP) trust (242,460 shares).

Information Regarding Quarterly Review Procedures

The quarterly financial results report is exempt from quarterly review by certified public accountants or accounting firms.

Explanation of Appropriate Use of Performance Forecast and Other Special Items

This report contains projections of performance and other projections based on information currently available and certain assumptions judged to be reasonable. Actual performance may differ materially from these projections resulting from changes in the economic environment and other risks and uncertainties. For performance projections, please refer to “1. Qualitative Information on Consolidated Performance for the Nine Months of Fiscal 2022 (3) Explanation of Consolidated Performance Forecast and Other Predictive Information” on page 5.

Table of Contents

1. Qualitative Information on Consolidated Performance for the Nine Months of Fiscal 2022

(1) Explanation of Consolidated Operating Results

During the nine months of fiscal 2022 (January 1–September 30, 2022), as economic and social activities have moved toward normalization since the lifting of COVID-19 activity restrictions, the Japanese economy has been affected by a temporary reduction in footfalls due to the rising number of cases of COVID-19 during the seventh wave, soaring energy and raw material prices due to the disruption of the international community, and rising prices resulting mainly from the significantly weakened yen, but personal consumption has remained steady. The outlook continues to be highly uncertain as the economy faces downside risks other than the COVID-19 pandemic, which has yet to be contained. In the domestic cosmetics market, the mail-order market including e-commerce has continued to expand following the spread of COVID-19. The expansion of services that integrate face-to-face sales, which are highly affected by COVID-19 restrictions, with online sales is expected to remain an important strategy as we look toward the post-pandemic world. Economic growth in overseas markets was slow, and China, which the Group has designated as a priority market, has been affected by intermittent pandemic prevention measures, such as lockdowns, implemented as part of the zero-COVID policy. Economic conditions and personal consumption are expected to continue to be significantly affected by the number of cases of COVID-19 and the countermeasures. As with Japan, we believe that it will be important to prepare for the possibility of severe infection countermeasures.

Within this market environment, the POLA ORBIS Group (the "Group") has worked to achieve the key objectives—"evolving domestic direct sales," "growing overseas businesses profitably," "profit contribution from brands under development," "strengthening operations," and "expanding new brands and domains of 'beauty'." These objectives are in line with the medium-term management plan (from 2021 to 2023) that started in 2021. As a result, the Group achieved the following consolidated operating results for the nine months of fiscal 2022.

Consolidated net sales for the nine months of fiscal 2022 decreased 8.8% year on year to ¥119,654 million. Operating income decreased 37.4% year on year to ¥7,668 million as a result of a decrease in gross profit due to decreased sales, and ordinary income decreased 9.4% year on year to ¥12,169 million due to the recording of foreign exchange gains resulting from yen depreciation. As a result of the factors noted above, profit attributable to owners of parent increased 50.5% year on year to ¥13,035 million.

Operating Results Overview (Millions of yen)

	Nine Months Ended September 30			
	2021	**2022**	Year-on-Year	
			Amount Change	Percent Change (%)
Net Sales	¥131,164	**¥119,654**	¥(11,509)	(8.8)
Operating Income	12,241	**7,668**	(4,572)	(37.4)
Ordinary Income	13,432	**12,169**	(1,263)	(9.4)
Profit Attributable to Owners of Parent	¥8,661	**¥13,035**	¥4,374	50.5

Operating Results by Segment

Net Sales (Segment Sales to External Customers) (Millions of yen)

	Nine Months Ended September 30			
	2021	**2022**	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥127,834	**¥116,231**	¥(11,603)	(9.1)
Real Estate	1,581	**1,561**	(20)	(1.3)
Others	1,748	**1,861**	113	6.5
Total	¥131,164	**¥119,654**	¥(11,509)	(8.8)

Segment Profit (Loss) (Operating Income (Loss)) (Millions of yen)

	Nine Months Ended September 30			
	2021	**2022**	Year-on-Year	
			Amount Change	Percent Change (%)
Beauty Care	¥12,271	**¥8,319**	¥(3,951)	(32.2)
Real Estate	382	**430**	47	12.5
Others	26	**68**	42	162.2
Reconciliations of Segment Profit (Note)	(439)	**(1,150)**	(711)	161.8
Total	¥12,241	**¥7,668**	¥(4,572)	(37.4)

Note: Reconciliations of segment profit refer to elimination of profits arising from inter-company transactions and expenses not allocated to reportable segments. Please see note 2 in “1. Information about Net Sales and Profit (Loss) by Reportable Segment” on page 11 and 12 for the details of reconciliations of segment income during the period.

Beauty Care

The Beauty Care segment consists of the flagship brands POLA and ORBIS, the overseas brand Jurlique, and the brands under development THREE, DECENCIA, Amplitude, ITRIM, FIVEISM × THREE and FUJIMI.

POLA is seeking to further improve the value of its brand and strengthen its business foundation through efforts to launch highly functional products mainly in the field of anti-aging and skin-brightening, and to focus on China, a priority market, and the growth market of travel retail. In the domestic business, sales growth was seen in the e-commerce channels as a result of efforts to acquire and retain customers seamlessly between real stores and online channels and to improve life time value. Although results are trending toward recovery, we have not been able to fully offset the impact of the decline in Beauty Director operation rate and in the number of customers in consignment sales channels (face-to-face sales) resulting from the COVID-19 pandemic. In the overseas business, in China, a priority market, POLA has focused on marketing with an emphasis on maintaining and improving brand loyalty over the medium to long term by strengthening its promotion efforts through mainly e-commerce platforms where we can control the brand, and improving customer life time value along with acquiring new customers. However, China’s zero-COVID policy had a significant impact, and POLA brand net sales and operating income declined year on year.

ORBIS is proceeding with enhancing its presence through the creation of brand differentiation and acquiring skincare product users, with a focus on the ORBIS U anti-aging skincare series, which was renewed this year, to re-grow into a highly profitable business. In Japan, ORBIS continued to strengthen communication by customer segment to increase customer activation. This led to an increase in the purchasing activity rate of existing customers and the revitalization of dormant customers, but the number of customers and spending per customer fell. Overseas, in China, a priority market, ORBIS promoted its brand online through social selling and expanded the area in which the brand is sold offline, but continued to be affected by lockdowns. As a result of the above, overall ORBIS brand net sales and operating income dropped below those of the corresponding period of the previous year.

The Jurlique brand achieved double-digit growth mainly in the e-commerce channel, a growth area, in China, which is positioned as its priority market, despite the impact of intermittent lockdowns in various provinces that caused the closure of offline stores. In Australia, as well, operating results recovered for offline channels, which had been affected by lockdowns in the previous year, and net sales surpassed those of the previous year. On the cost front, although active efforts were made to reduce selling, general and administrative expenses, operating loss rose slightly due to the impact of the foreign exchange rate.

The H2O PLUS brand has manufactured and sold cosmetics, mainly in the US market, but the business environment surrounding the company is severe, and operating results fell below the plan. The group has decided to exit from the entire businesses which H2O brand is developing, to make a reformation on its brand portfolio on the beauty care segment aiming as a part of enhancement on its profitability.

For brands under development, the FUJIMI brand grew, performing well with both new customers and existing customers, but the THREE brand struggled, resulting in lower overall net sales for the brands under development compared with the same period last year. However, costs were controlled based on the status of each brand, and as a result we were able to reduce operating loss for brands under development as a whole.

As a result of the factors noted above, net sales—sales to external customers—were ¥116,231 million, down 9.1% year on year, and operating income was ¥8,319 million, down 32.2% year on year.

Real Estate

The Real Estate segment concentrates on the leasing of office buildings in urban areas. Efforts are currently directed at sustaining and improving rental income and reducing vacancy rates by creating attractive office environments. Another area of emphasis is the residential properties rental business. This business highlights condominiums perfect for families with young children. During the nine months of fiscal 2022, net sales fell below those of the corresponding period of the previous year as a result of some tenants moving out. However, operating income increased those of the corresponding period of the previous year due to a temporal maintenance fee for leasing buildings was accounted in the previous year.

As a result of the above, net sales—sales to external customers—generated by the Real Estate segment totaled ¥1,561 million, down 1.3% year on year, and operating income was ¥430 million, up 12.5% year on year.

Others

The Others segment is the building maintenance business.

The building maintenance business is mainly engaged in the operation and management of buildings. During the nine months of fiscal 2022, net sales and operating income rose year on year thanks to higher construction orders.

As a result of the above, net sales—sales to external customers—generated by the Others segment totaled ¥1,861 million, up 6.5% year on year, and operating income was ¥68 million, up 162.2% year on year.

(2) Explanation of Consolidated Financial Position

As of September 30, 2022, total assets stood at ¥202,624 million, down 2.6%, or ¥5,415 million, from December 31, 2021. Factors related to this change included increases of ¥8,421 million in investments in securities and ¥4,602 million in deferred tax assets, as well as decreases of ¥20,073 million in cash and deposits, ¥2,032 million in notes and accounts receivable – trade and ¥1,891 million inshort-term investments in securities.

Total liabilities amounted to ¥30,918 million, down 11.1%, or ¥3,854 million, from December 31, 2021. Factors related to this change included an increase of ¥4,839 million in contract liabilities, as well as decreases of ¥1,271 million in income taxes payable, ¥1,950 million in other provision associated with a decrease of provision for point program and ¥4,979 million in other under current liabilities.

Net assets amounted to ¥171,705 million, down 0.9%, or ¥1,561 million, from December 31, 2021. Factors related to this change included a recording of ¥13,035 million in profit attributable to owners of parent, ¥11,516 million in dividends from retained earnings and a decrease of ¥2,247 million in foreign currency translation adjustments.

(3) Explanation of Consolidated Performance Forecast and Other Predictive Information

The Group has made no revisions to the full-year consolidated performance forecast announced on July 29, 2022.

(Information for reference)

Cumulative Results for Fiscal 2021

	(Millions of yen)			
	Three Months	Six Months	Nine Months	Full Year
Net Sales	¥43,561	¥89,055	¥131,164	¥178,642
Operating Income	4,307	9,095	12,241	16,888
Ordinary Income	5,763	10,477	13,432	18,968
Profit Attributable to Owners of Parent	¥3,939	¥7,086	¥8,661	¥ 11,734

Quarterly Results for Fiscal 2021

	(Millions of yen)			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Sales	¥43,561	¥45,493	¥42,109	¥47,477
Operating Income	4,307	4,788	3,145	4,647
Ordinary Income	5,763	4,714	2,954	5,536
Profit Attributable to Owners of Parent	¥3,939	¥3,146	¥ 1,574	¥ 3,073

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2021 December 31, 2021	**FY2022 Third Quarter September 30, 2022**
Assets		
Current assets		
Cash and deposits	¥ 72,425	**¥ 52,351**
Notes and accounts receivable – trade	17,545	**15,513**
Short-term investments in securities	20,146	**18,254**
Merchandise and finished goods	10,841	**11,835**
Work in process	734	**774**
Raw materials and supplies	4,295	**3,688**
Other	3,648	**5,925**
Allowance for doubtful accounts	(41)	**(47)**
Total current assets	129,596	**108,294**
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,697	**16,441**
Land	13,986	**14,017**
Other, net	9,765	**14,046**
Total property, plant and equipment	40,449	**44,504**
Intangible assets		
Goodwill	2,366	**2,082**
Right of trademark	896	**823**
Software	11,774	**11,314**
Other	388	**319**
Total intangible assets	15,425	**14,539**
Investments and other assets		
Investments in securities	12,105	**20,527**
Deferred tax assets	6,160	**10,763**
Other	4,539	**4,207**
Allowance for doubtful accounts	(237)	**(213)**
Total investments and other assets	22,568	**35,284**
Total non-current assets	78,443	**94,329**
Total assets	¥208,039	**¥202,624**

(Millions of yen)

	FY2021 December 31, 2021	**FY2022 Third Quarter September 30, 2022**
Liabilities		
Current liabilities		
Notes and accounts payable – trade	¥ 2,513	**¥ 2,690**
Income taxes payable	1,736	**465**
Provision for bonuses	1,831	**2,390**
Other provisions	2,170	**219**
Current portion of long-term borrowings	11	**11**
Contract liabilities	—	**4,839**
Other	16,972	**11,992**
Total current liabilities	25,236	**22,609**
Non-current liabilities		
Long-term borrowings	72	**62**
Other provisions	136	**205**
Net defined benefit liability	3,434	**2,600**
Asset retirement obligations	2,868	**2,701**
Other	3,024	**2,739**
Total non-current liabilities	9,536	**8,309**
Total liabilities	34,772	**30,918**
Net assets		
Shareholders' equity		
Common stock	10,000	**10,000**
Capital surplus	81,027	**81,025**
Retained earnings	83,853	**84,347**
Treasury stock	(2,867)	**(2,860)**
Total shareholders' equity	172,013	**172,513**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5	**74**
Foreign currency translation adjustments	999	**(1,248)**
Remeasurements of defined benefit plans	(215)	**(169)**
Total accumulated other comprehensive income	790	**(1,342)**
Subscription rights to shares	243	**243**
Non-controlling interests	220	**291**
Total net assets	173,267	**171,705**
Total liabilities and net assets	¥208,039	**¥202,624**

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Nine Months Ended September 30	
	FY2021 (January 1, 2021– September 30, 2021)	**FY2022 (January 1, 2022– September 30, 2022)**
Net sales	¥131,164	**¥119,654**
Cost of sales	20,582	**21,795**
Gross profit	110,581	**97,859**
Selling, general and administrative expenses		
Sales commission	25,330	**25,460**
Promotion expenses	12,865	**8,367**
Advertising expenses	9,185	**8,186**
Salaries, allowances and bonuses	15,247	**15,314**
Provision for bonuses	2,057	**2,162**
Other	33,654	**30,698**
Total selling, general and administrative expenses	98,340	**90,190**
Operating income	12,241	**7,668**
Non-operating income		
Interest income	133	**125**
Foreign exchange gains	1,108	**4,591**
Other	136	**186**
Total non-operating income	1,377	**4,903**
Non-operating expenses		
Interest expense	87	**98**
Commission expenses	69	**100**
Loss related to COVID-19	—	**56**
Information security expenses	—	**120**
Other	30	**27**
Total non-operating expenses	186	**403**
Ordinary income	13,432	**12,169**
Extraordinary income		
Gain on step aquisitions	297	**—**
Subsidy income	74	—
Other	1	**—**
Total extraordinary income	372	**—**
Extraordinary losses		
Loss on disposal of non-current assets	81	**322**
Impairment loss	455	**221**
Loss on valuation of investment securities	9	**115**
Loss on liquidation of business	—	**165**
Loss related to COVID-19	173	—
Other	3	**2**
Total extraordinary losses	723	**827**
Income before income taxes	13,081	**11,341**
Income taxes – current	4,014	**2,566**
Income taxes – deferred	373	**(4,307)**
Total income taxes	4,387	**(1,740)**
Net Income	8,693	**13,082**
Profit attributable to non-controlling interests	32	**47**
Profit attributable to owners of parent	¥ 8,661	**¥ 13,035**

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine Months Ended September 30	
	FY2021 (January 1, 2021– September 30, 2021)	**FY2022 (January 1, 2022– September 30, 2022)**
Net Income	¥8,693	**¥13,082**
Other comprehensive income		
Valuation difference on available-for-sale securities	78	**68**
Foreign currency translation adjustments	(403)	**(2,223)**
Remeasurements of defined benefit plans	68	**45**
Total other comprehensive income	(255)	**(2,108)**
Comprehensive income	8,437	**10,973**
Comprehensive income attributable to owners of parent	8,392	**11,053**
Comprehensive income attributable to non-controlling interests	¥45	**¥71**

(3) Notes to Consolidated Financial Statements

(Going Concern Assumptions)
None

(Significant Changes in Shareholders' Equity)
None

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition)

From the beginning of the first quarter period under review, the Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. (hereafter “Accounting Standard for Revenue Recognition”), and recognizes revenue at the amount expected to be received in exchange for promised goods or services when control of the goods or services is transferred to the customer.

The main changes resulting from the adoption of this accounting standard are as follows:

(1)Revenue Recognition for Digested Purchase Sales Transactions

With respect to digestion purchase transaction, the Company previously recognized revenue on a net amount received from the customer less an amount equivalent to the dealer's commission. However, since the Company's role in the transaction corresponds to that of the principal, the Company has changed the method of recognizing revenue to the gross amount.

(2)Revenue recognition related to points programs

With respect to points programs, the Company previously recorded expenses that are expected to be required to be exchanged for points in the future as an allowance. However, the Company has now shifted to method of identifying them as performance obligation and deferring the recognition of revenue when the points provide significant rights to customers.

(3)Accounting for sales promotion expenses, etc.

With respect to certain sales promotion expenses, and sales commissions which are compensation paid to customers, while previously recorded as selling, general and administrative expenses, the Company has shifted to a method of deducting from sales.

In addition, for expenses pertaining to the performance obligation to grant free promotional items to customers in response to sales, the Company has shifted to a method of recording in cost of sales.

In accordance with the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of the retrospective application of the new accounting policy prior to the beginning of the first quarter period under review, was added to or deducted from retained earnings at the beginning of the first quarter period under review, and the new accounting policy has been applied from the beginning balance of the fiscal year under review.

As a result, sales for the third quarter period are ¥757 million lower, cost of sales is ¥1,740 million higher, selling, general and administrative expenses are ¥2,672 million lower, and operating income, ordinary income and income before income taxes and minority interests are each ¥174 million higher. In addition, the balance of retained earnings at the beginning of the fiscal year is ¥981 million lower.

As a result of the application of the Accounting Standard for Revenue Recognition, “Provision for points” which was presented in “Current liabilities” in the consolidated balance sheet for the previous fiscal year, is presented as “Contract liabilities” from the first quarter period under review. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made for the previous fiscal year using the new presentation method.

(Accounting Standard for Fair Value Measurement)

The company has adopted the "Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 30, July 4, 2019; hereafter “Accounting Standard for Fair Value Measurement”), etc. from the beginning of the first quarter period under review. The Company will apply the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019).The Company does not hold any financial instruments whose fair value is used as the value on the quarterly consolidated balance sheets, and there is no impact on the quarterly consolidated financial statements.

(Segment Information)

I. Nine months of Fiscal 2021 (January 1, 2021-September 30, 2021)

1. Information about Net Sales and Profit (Loss) by Reportable Segment

(Millions of yen)

	Reportable Segments			Others (Note 1)	Subtotal	Reconciliations (Note 2)	Amount Shown on the Consolidated Financial Statements (Note 3)
	Beauty Care	Real Estate	Subtotal				
Net Sales							
Sales to External Customers	¥127,834	¥1,581	¥129,416	¥1,748	¥131,164	—	¥131,164
Intersegment Sales or Transfers	66	350	417	1,295	1,712	¥(1,712)	—
Total	127,900	1,932	129,833	3,043	132,876	(1,712)	131,164
Segment Profit	¥12,271	¥382	¥12,654	¥26	¥12,680	¥(439)	¥12,241

Notes: 1. “Others” comprises business operations that are not categorized as reportable segments and includes the building maintenance business.

2. The segment profit reconciliation of ¥(439) million includes intersegment transaction eliminations of ¥2,778 million, and corporate expenses of ¥(3,218) million not allocated to each segment. Corporate expenses are primarily the Company's administrative expenses not allocated to reportable segments.

3. Segment profit is adjusted for operating income reported in the quarterly consolidated statements of income.

2. Information about Impairment Loss of Non-current Assets and Goodwill by Reportable Segment

(Significant Impairment Loss of Non-current Assets)

None

(Significant Changes in Goodwill)

In the "Beauty Care" segment, the Company acquired shares of tricot, Inc. and includes it in the scope of consolidation. The amount of increase in goodwill due to this event was 2,650 million yen.

II. Nine months of Fiscal 2022 (January 1, 2022–September 30, 2022)

1. Information about Net Sales and Profit (Loss) by Reportable Segment

(Millions of yen)

	Reportable Segments			Others (Note 1)	Subtotal	Reconciliations (Note 2)	Amount Shown on the Consolidated Financial Statements (Note 3)
	Beauty Care	Real Estate	Subtotal				
Net Sales							
Sales to External Customers	¥116,231	¥1,561	¥117,792	¥1,861	¥119,654	—	¥119,654
Intersegment Sales or Transfers	64	361	426	1,218	1,645	¥(1,645)	—
Total	116,295	1,923	118,219	3,080	121,299	(1,645)	119,654
Segment Profit	¥8,319	¥430	¥8,750	¥68	¥8,819	¥(1,150)	¥7,668

Notes:
1. “Others” comprises business operations that are not categorized as reportable segments and includes the building maintenance business.
2. The segment profit reconciliation of ¥ (1,150) million includes intersegment transaction eliminations of ¥4,517 million, and corporate expenses of ¥ (5,668) million not allocated to each segment. Corporate expenses are primarily the Company's administrative expenses not allocated to reportable segments.
3. Segment profit is adjusted for operating income reported in the quarterly consolidated statements of income.

2. Information about Impairment Loss of Non-current Assets and Goodwill by Reportable Segment

(Significant Impairment Loss of Non-current Assets)

None

(Significant Changes in Goodwill)

None

3. Information about changes in Reportable Segments

As described in "Changes in Accounting Policies", effective from the beginning of the first quarter period under review, the Company has adopted the Accounting Standard for Revenue Recognition and changed its accounting method for revenue recognition. The Company has made similar changes to the method of calculating income and loss in its Business Segments. As a result of this change, in the third quarter period under review, compared with the previous method of calculation, Beauty Care sales are ¥688 million lower and segment income is ¥174 million higher. Other business sales are ¥117 million lower and there is no impact on segment income. Additionally, the sales of Reconciliations are ¥48 million higher and there is no impact on segment income.

(Subsequent Events)

None